Striving for Excellence

Annual Report 1997

CrownLife

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Shareholder Information

Stock Exchange Listings
(CLA, CLA.PR.A)
The Toronto Stock Exchange
The Montreal Exchange

Transfer Agent
Montreal Trust Company of Canada

Shareholder Inquiries
(306) 751-6020

Founded in 1900, Crown Life Insurance Company provides quality financial products and services across North America and in selected international markets. Ranking among the top seven per cent of life insurers in North America, Crown Life offers life insurance, health insurance and pension programs on a participating and non-participating basis to individuals and groups, and reinsurance services to other insurance companies. Crown Life's principal shareholders are HARO Financial Corporation of Regina, Saskatchewan, which owns 64 per cent of the Common Shares of the Company, and Extendicare Inc. of Markham, Ontario, which owns 32 per cent. Crown Life's Common Shares and Class I Preferred Shares trade on The Toronto Stock Exchange and on The Montreal Exchange.

A great vision and commitment on the part of all preceded this year's achievements.

Striving for Excellence

At Crown Life, our mission is to build better futures for our customers through sound financial products, expert advice and outstanding service. In meeting this challenge, we are constantly striving to achieve excellence in all aspects of the Company's operations. As Official Insurer to Canada's Olympic Team, Crown Life shares the qualities and ideals that drive our Olympic athletes – commitment, teamwork, flexibility and strength.

We take pride in the strong roots which have enabled Crown Life to prosper since 1900, helping our customers build better futures through financial security. Throughout our 98-year history, Crown Life has demonstrated a commitment to building long-term relationships based on a solid foundation of integrity, trust and respect for people. Today, we are focused clearly on the future, embracing the challenges of change and dedicating our efforts to the achievement of excellence.

Strength of Performance

Since 1994, Crown Life has recorded four of the five best years of performance in the Company's history. In 1997, income of $45 million and an increase in business volume represent solid financial performance.

Crown Life's growth in 1997 was led by our Canadian and Reinsurance operations which posted an increase of 11 per cent in business volume over 1996 levels. The pace of growth is moderating, however, causing net income to be slightly lower in 1997 as the insurance environment becomes more competitive.

During 1997, Canadian Bond Rating Service raised its rating on the Preferred Shares of Crown Life from P-3 to P-3 (High). This upgrade follows four others received in 1996, during a period when it is rare for North American life insurance companies to secure upgrades. Crown Life's ratio of capital resources to liabilities continued to increase, to 14.5 per cent, reflecting our commitment to a solid financial position.

Assets under management were $6.6 billion at year-end 1997.

Vision for the Future

The dynamic environment of today's financial services industry presents both challenge and opportunity. The industry faces ongoing restructuring and increasing complexity. Competition in the market for insurance products intensified in 1997, as some companies have adopted aggressive pricing practices in order to build volume. The trend toward consolidation continues at an accelerating pace. In Canada, banks are becoming more active in insurance markets.

To succeed in this environment, insurance companies must be committed to delivering value to customers while achieving low cost operations.

In the face of this challenge, Crown Life is responding with the introduction of new products, services, and enhanced partnerships that demonstrate our strategic vision for the future. Our dedication to systems renewal and operational efficiencies reflects our commitment to delivering value to customers at competitive cost levels.

This vision is focused directly on the customer, ensuring that Crown Life continues to achieve increasing standards of excellence in all facets of our business.

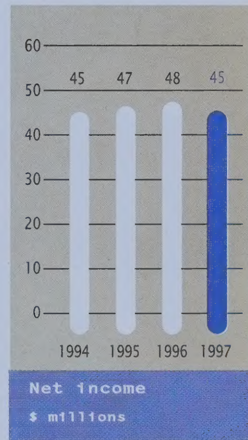
During 1997, Crown Life was pleased to appoint a new Officer of the Company. Charles K.B. Hamilton joined the Company as Vice-President, Marketing for Crown Life's Canadian Individual Insurance operations.

Success in the financial services environment of the 1990s depends on Crown Life people providing innovative and financially sound product design and outstanding service to our customers.

We take this opportunity to recognize the important contributions of all Crown Life employees and sales associates. Demonstrating a dedication to personal excellence and a commitment to teamwork, their initiatives have been instrumental to our success. We extend sincere thanks on behalf of Crown Life's Board of Directors.

Paul J. Hill
Chairman

Brian A. Johnson
President and Chief Executive Officer



T

When you're part of a four-man bobsled team, it's an icy, winding ride on the way to the Olympic dream. Four athletes, focusing as one on the challenges of the twisting, turning chute of ice that lies ahead. It's a sport which offers absolutely no margin for error, where success is measured in mere fractions of a second. After countless hours of training, in a sled hurtling to the finish at speeds of up to 140 kilometres per hour, the importance of teamwork is firmly embedded in each thought and action. Teamwork is a quality we've embraced at Crown Life. Working as a team in all aspects of our business, we're able to provide the very best for our customers.

eamwork

The Commitment to Growth

Crown Life has realized significant achievements in recent years. We are more committed than ever to continuous improvement and growth, a dedication that is reflected in results throughout the Company.

Individual Insurance operations posted sales growth of 15 per cent in Canada during 1997, with annualized premium revenue from new business of almost $12 million.

In Pension and Investment Management (PIM) operations, Crown Life also recorded strong performance levels in 1997. Sales volumes reflected a growth rate of 56 per cent over 1996. Crown Life Investment Management Inc. (CLIMCO), our investment management subsidiary, again achieved solid investment returns. CLIMCO posted returns of 16.3 per cent and 10.5 per cent in the segregated Canadian equity and bond funds, respectively.

While a competitive market moderated sales growth in Group Insurance operations, premium revenues in this business unit increased by 13.5 per cent, reaching $239 million at year-end.

In our Reinsurance operations, we recorded an 11 per cent increase in our inforce business during 1997.

The Challenge of Change

Crown Life strives for excellence in all areas of business. In today's rapidly changing environment, information technology is critical to success. Crown Life is committed to systems renewal across all business units. Over the past four years, our teams of systems experts have been implementing one of the most extensive programs of technology enhancement in the financial services industry.

Excellence in technology provides the flexibility to improve service. Technology is the key to improvements of all facets of our business. It accelerates business processes such as policy issues, funds transfers, policy changes and claims payment, leading to stronger customer relationships.

The continuing development of innovative systems solutions enhances Crown Life's competitive position, creating new opportunities for efficiency and profitability.

Embracing the challenges with energy and enthusiasm.

As the next century draws nearer, we are embracing the challenge to prepare all information systems. Through our aggressive renewal program, which includes a commitment to year-2000 compliance for all systems, Crown Life will ensure a smooth transition into the new millennium.

The Company's approach to systems renewal exemplifies the highest standards of teamwork and co-operation. Cross-functional teams are hard at work across Crown Life, dedicated to the development of innovative solutions to challenges at all levels.

The success of our new Joint Adjudication System (JAS) has streamlined disability claims procedures for both Group and Individual customers. JAS is delivering greater efficiency as our adjudicators manage complex claims.

Implementation of the first phase of CrownVista in Group Insurance operations represents an important initiative in systems renewal. CrownVista will allow

C

At 6:00 a.m. most of us are still tucked comfortably in our beds. But for members of Canada's Olympic team, the day is already well under way. The daily routine of conditioning and training begins early, and often carries on late into the night. These athletes understand the meaning of commitment. It's one of the qualities that's so important in the pursuit of the Olympic dream. A clear, unwavering commitment to excellence in every facet of the sport. At Crown Life, we share that same sense of commitment. And it shines through in our efforts to deliver the highest standards in products and service to each of our customers.

ommitment

for increased flexibility in administration of group life and health products to meet client needs more effectively. In 1998 the conversion of all Group Insurance customers to the new system will be completed.

Advancing technology in Pension and Investment Management operations furthers Crown Life's commitment to excellence. Conversion to the Pension Administration Consolidated Environment (PACE) system continues, allowing us to strive for higher standards of service. Customer advantages include an electronic data interface (EDI) capability and an interactive voice response (IVR) facility, which enables a growing number of plan participants to access their account balances and initiate financial transactions more conveniently. The 1997 launch of a daily valuation service allows for more efficient and timely account valuations for a number of funds. During 1998, customers will benefit from redesigned plan reporting, including an updated statement format.

In our Individual Insurance operations, we are committed to improving business efficiency through systems upgrades and reorganization of administrative services. As part of this program, we completed a successful transition to multi-functional teams, where a range of customer services are provided within single work units. This supports our commitment to delivering superior customer service. In 1998, we will focus on updates to our business systems that will ensure year-2000 compliance.

New Product Achievements

At Crown Life, striving for excellence represents a corporate commitment to our customers. It exemplifies an understanding of our customers' perspectives and the flexibility to respond to their complex needs.

Crown Life's customers are as diverse as the products we offer. They range from individuals, families and businesses, to major league baseball players for the Toronto Blue Jays and Los Angeles Dodgers.

The Company is committed to delivering value to our customers. We continue to introduce new products and services across all business lines.

The new Crown Life Term 10 and enhanced Crown Futura 3000 products have achieved success in the Canadian life insurance market. These products offer customers an expanded choice of insurance options, demonstrating our commitment to the development and marketing of competitive products. Term 10, a term life product, provides customers with protection for their families at an affordable premium. Crown Futura 3000 is a universal life insurance product which allows customers to invest the cash values in their policies in several market index funds. In the United States market, Crown Secura, a new individual whole life product, has received a good response from customers.

Moving ahead with confidence and determination.

A dedication to the principles of teamwork supports the delivery of Crown Life products and services. New strategic partnerships extend access to products and services and support sales growth. We continue to form relationships with other sales networks which provide professional, independent advice to their clients. For example, in 1997 we entered

F

The physical demands of competitive gymnastics are unrelenting. Athletes seemingl pushing themselve beyond the limits of endurance, striving to achieve their personal best. Each element of each routine is executed time and time again, reaching graduall towards the Olympic standards Flexibility stand out as one of the critical keys to success. Flexibility in both attitude and physical performance. Crow Life understands how much flexibility means It's an essential part of our corporate culture providing the assurance that each product and service is capable of meeting the diverse needs of our clients.

lexibility

a distribution alliance with Independent Financial Services of Saskatoon to offer our customers in Saskatchewan greater access to Crown Life's products.

A corporate commitment to customer satisfaction is reflected in the establishment of customer-focused delivery teams in our Individual Insurance operations, aimed at enhancing customer relations. Through the Service First initiative, we are constantly working to ensure that new policyholders are pleased with the quality of service from Crown Life and our representatives. The Quality Business Unit continues to identify innovative opportunities to increase business retention through excellence in customer service.

Integrity and ethics are essential to earning customer loyalty. Crown Life places a strong emphasis on these qualities and our market conduct unit is dedicated to ensuring sound sales and marketing practices across all business areas. The Company is a founding member of the newly formed Insurance Marketplace Standards Association (IMSA) in the United States, reflecting our commitment to continue building the highest level of trust and securing the confidence of our customers.

In Pension and Investment Management operations, we are building closer relationships with customers and extending programs designed to strengthen financial security through greater understanding of the complexities of financial planning. We continue to deliver employee education seminars and retirement workshops on-site to plan participants across Canada.

The Crown Life product line in our PIM operations was expanded in 1997 with the addition of a new Canadian Equity fund offered by McLean Budden. Total funds available to group pension customers have now reached 17, offered by nine fund managers. In 1997, fund performance proved to be consistently strong throughout an increasingly diverse range of portfolios. Of all funds rated by the PALTrak pension fund survey, almost half of our funds rank in the first quartile.

To further support our pension and investment business, we have reorganized our PIM customer service units into geographic teams. This initiative reflects Crown Life's flexibility, improving service to clients in the British Columbia, Prairie, Ontario and Eastern Canada regions.

A balanced approach for growth and stability.

PIM's product and service innovations also extend to our business in Bermuda where a new Retirement Plus product offers pension clients access to foreign funds recently permitted by new regulations.

Crown Life's Group Insurance operations introduced a Managed Disability Care program, focusing on early intervention and management of disability claims to help employees return to work quickly. The program helps our clients contain costs while delivering important benefits to their employees. The Company also launched Crown ASO, a new Administrative Services Only product, which provides advantages to small and medium-sized businesses in reducing insurance costs.

Across all business lines, Crown Life is striving for excellence in product and service delivery, demonstrating a commitment to customers.

S

The butterfly. Generally, it brings to mind images of delicate, fluttering wings. But, think of the butterfly in the world of Olympic swimming and it's anything but delicate. It takes highly trained athletes with the strength of mind, will and body to excel in competition with the best in the world. Developing that extraordinary level of strength takes years of work, in the pool and the training room. Whether it's the butterfly, backstroke or freestyle — Olympic swimming is an environment where the strongest prevail. Strength is a benefit Crown Life extends to our customers. We've been building on it since 1900. And we've grown stronger throughout the century, becoming one of today's top insurers in North America.

trength

Our outlook is focused on strengthening our customer connections. We are dedicated to building long-term relationships founded upon integrity, sound products, professional expertise and responsive service.

Sales Leaders for 1997

The growth of the Company is dependent on the success of our sales intermediaries. Crown Life professionals lead the industry in such qualities as skill and expertise in financial planning. We understand the complexities of this role and take pride in our ability to help customers achieve financial security.

We are pleased to recognize Crown Life's 1997 sales leaders.

Individual Insurance Operations:
Agent of the Year:
Brian Etherington, The Etherington Group
Agency of the Year:
Qualified Financial Services Inc. (Ontario)

Group Operations:
Lori Burt-Hutton, Senior Sales Representative (Toronto)
Terry Heselton, Regional Sales Manager (British Columbia)

Pension and Investment Management Operations:
Ron Larivière, Senior Sales Representative (Montreal)
Liz English, Senior Sales Representative (Toronto)

Reinsurance Operations:
Howard Bernstein, Sales Vice-President (Atlanta)

Our Personal Best

At Crown Life, respect for people is embedded in our corporate culture. An appreciation for the importance of community values shows through in the support of educational development, culture and sport, and personal and community enhancement.

Corporate sponsorships and charitable donations are further enhanced by the personal contributions of Crown Life employees. Our people have led the way in fundraising and awareness for many organizations such as the Terry Fox Foundation, Youth Unlimited, the Special Olympics and the United Way. Crown Life's combined employee and matching Company gifts represent the largest single corporate contribution to the United Way of Regina for each of the past several years.

Crown Life's growing relationship with Chinese communities in Canada is reflected by our key sponsorship of various Dragon Boat Festivals held annually across the country.

Since 1979, we have had the honour of serving as Official Insurer to Canada's Olympic Team. This role carries on from the 1998 Winter Games in Nagano, Japan through to the Summer Games in Sydney, Australia in 2000.

Developing new skills to enhance capabilities.

We strive to establish performance standards for Crown Life that embrace the Olympic ideals of excellence, teamwork and continuous improvement. We are committed to building a strong employee culture which incorporates our fundamental respect for people – a culture in which empowered, accountable people make the difference.

It is on the basis of such ideals that Crown Life takes on the challenges of change, striving for excellence in every facet of our operations.

Management Discussion and Analysis

The 1997 financial results of Crown Life reflect continued growth in an increasingly competitive insurance market. The financial highlights for the year were:

- total business volumes increased by five per cent, led by deposits to segregated funds which increased by 66 per cent to $104 million;
- sales of individual life and health insurance products in Canada were at the highest level in over a decade;
- shareholders' and participating policyholders' net income was $45 million in 1997, compared with $48 million in 1996;
- earnings per common share was $8.01, compared with $8.77 in 1996; and
- mortgage loans were reduced to the Company's target of 30.0 per cent of total assets at December 31, 1997, from 32.3 per cent a year earlier.

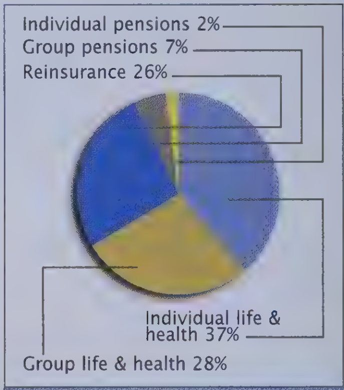
Life insurance markets became increasingly competitive in 1997: total life insurance sales for the industry declined in Canada; pricing of group life and health insurance products became more aggressive; and the pace of consolidation increased as companies sought larger market shares and economies of scale. The Company expects that these trends will continue in 1998.

The Company made substantial progress in 1997 in resolving litigation involving U.S. life insurance products. In addition, the program of systems renewal to improve customer service and ensure year-2000 readiness continued in 1997.

Results of operations

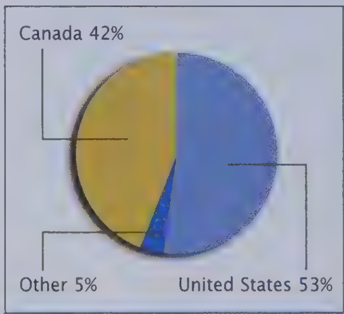
Total revenue was $1.3 billion. An increase in premium revenue was offset by the effect on investment income of lower interest rates.

Premium revenue was $845 million, compared with $842 million in 1996. Growth was achieved in life and health insurance and pension products in all Canadian operations. These increases were partially offset by lower premium revenue in United States operations where normal terminations exceed the current level of new sales. New deposits to segregated funds, which are reflected in the Consolidated Statement of Changes in Net Assets of Segregated Funds, also increased in 1997, by 66 per cent to $104 million. This continues the trend of prior years of increased consumer preference for the investment returns available on segregated funds products rather than fixed interest returns.



Premiums by line of business
1997

Individual life and health insurance products accounted for 37 per cent of premium revenue in 1997. Other premium revenue was derived from group life and health insurance (28 per cent), reinsurance (26 per cent), group pension products (seven per cent) and individual pension products (two per cent). Geographically, 53 per cent of premium revenue was generated in the United States in 1997, 42 per cent in Canada, and five per cent in other international operations. Compared with 1996, the mix of business increased for group life and health and for Canadian



Premiums by territory
1997

operations, reflecting the current strategic focus of the Company in achieving higher growth rates in these areas relative to other areas of operations.

Investment income was $437 million in 1997, compared with $457 million in 1996, reflecting lower interest rates. Investment income is net of $8.2 million (1996 - $8.8 million) in interest expense incurred on convertible subordinated debentures.

Other revenue of $17 million in 1997 (1996 - $16 million) consists primarily of fee income for the management of segregated funds and administrative services only group health plans.

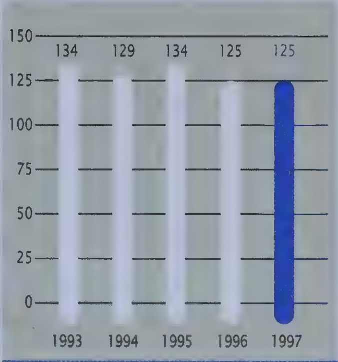
Expenses totalled $1.2 billion. Policy benefit costs decreased while operating expenses and commissions were unchanged from 1996.

Policy benefit costs were $940 million in 1997, compared with $957 million in 1996. The change is primarily attributable to lower claims costs resulting from the termination of several financial reinsurance contracts.

Operating expenses were $125 million in 1997, unchanged from 1996. In 1997, approximately $17 million was incurred for new systems development, compared with $15 million in 1996.

Commissions and other selling expenses were $111 million in 1997, compared with $112 million in 1996.

Taxes, including taxes on premiums, income and capital, totalled $24 million in 1997, compared with $22 million in 1996. In 1997, total tax remittances to governments by the Company, including real estate, payroll, and sales taxes included in operating expenses, were approximately $41 million, compared with $40 million in 1996.



Operating expenses
$ millions

Net income decreased slightly.

Net income for 1997 was $45 million, compared with $48 million in 1996.

Shareholders' net income was $36.8 million in 1997, compared with $39.4 million in 1996. The decrease in net income is due to higher claims for health and disability insurance products than in 1996.

A number of unusual items were recorded in the shareholders' account in 1997. The Company took advantage of a competitive reinsurance market to reinsure the mortality risk associated with certain U.S. life insurance policies. This transaction increased shareholders' net income by $90 million. Policy liabilities for universal life insurance policies were increased by $30 million to reflect the effect of a low U.S. interest rate environment on policies with interest rate guarantees. The Company made provisions of $35 million for settlement of a class action in the United States in which plaintiffs' counsel had alleged that cost of insurance charges were improperly increased on universal life insurance policies in 1992, and $25 million for possible costs resulting from claims which appear unusual in the context of the risk presented for underwriting.

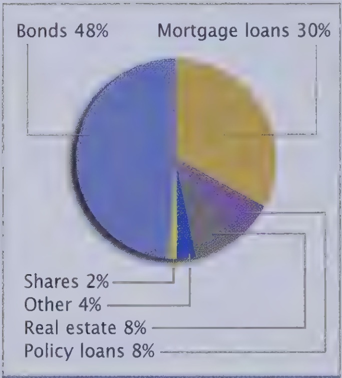
Participating policyholders' net income was $8.6 million in 1997, compared with $8.5 million in 1996. Participating policyholders' dividends were $53.8 million in 1997, compared with $50.9 million in 1996.

Unusual items recorded in the participating policyholders' account in 1997 included a charge to income of $33 million to reflect the cost of settling "vanishing premium" lawsuits in the United States, partially offset by a reduction of $15 million in policy liabilities to reflect the implementation of new generally accepted actuarial practices.

Financial position

Total assets under management were unchanged at $6.6 billion.

Total assets under management at December 31, 1997 were $6.6 billion, unchanged from 1996. Total consolidated general funds assets were $5.8 billion. Segregated funds assets under management were $805 million.



Total assets

December 31, 1997

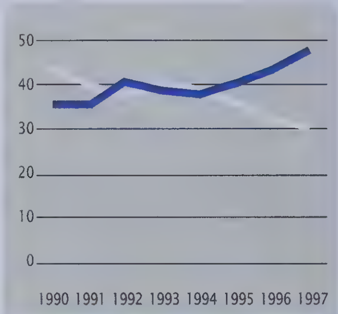
Additional progress was achieved in 1997 in improving the quality of invested assets. Mortgage loan investments were reduced to 30 per cent of total assets, compared with a peak of nearly 46 per cent of total assets in 1989. Loans in arrears were at the lowest level since the early 1980s.

The bond portfolio had an average rating of AA.

At December 31, 1997, the bond portfolio totalled $2.8 billion, representing 47.6 per cent of total assets, compared with 42.8 per cent a year earlier. The portfolio included $1.8 billion of U.S. and Canadian government bonds. The Company has emphasized high-grade bonds, and only one per cent of the portfolio was rated below investment grade. No bonds were in default at December 31, 1997.

The mortgage loan portfolio was reduced by 6.5 per cent in 1997 and the quality of the portfolio improved.

Mortgage loan investments at December 31, 1997 were $1.8 billion, representing 30.0 per cent of total assets, compared with $1.9 billion (32.3 per cent) a year earlier.



Bonds and mortgage loans as a percentage of total assets

percentage

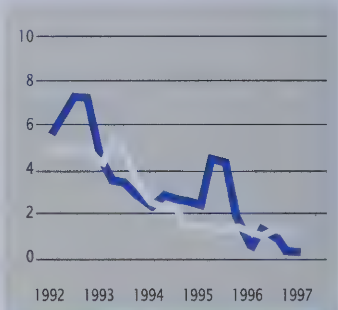
At December 31, 1997, U.S. mortgage loans were US$963 million (23.6 per cent of total assets), compared with US$1.1 billion (26.1 per cent) at December 31, 1996.

At year-end, U.S. mortgage loans in arrears 90 days or more, before specific provisions, were US$4 million, compared with US$8 million a year earlier. Arrears were at their lowest level since the early 1980s. During 1997, the restructured component of the portfolio was reduced by US$63 million to US$114 million.

The U.S. mortgage loan portfolio consists of loans in 37 states. Property types are restricted to retail, office, apartments and industrial. Only seven loans exceed US$10 million, and the largest of these is US$15 million.

Canadian and other mortgage loans were $376 million at December 31, 1997 (6.4 per cent of total assets), compared with $360 million (6.2 per cent of total assets) at December 31, 1996. Canadian mortgage loans in arrears 90 days or more, before specific provisions, were $11 million at December 31, 1997, unchanged from a year earlier.

North American property values continue to improve. The Company will continue to reduce its U.S. mortgage loan portfolio and will selectively underwrite new mortgage loans in Canada in order to maintain an appropriate asset mix in the portfolio of Canadian invested assets.



US 60 day arrears ratio

percentage of portfolio

Real estate investments were reduced by nine per cent.

The Company's exposure to real estate was reduced to 7.8 per cent of total assets ($458 million) at December 31, 1997 from 8.7 per cent of total assets ($502 million) a year earlier.

Real estate held for investment was $443 million, compared with $414 million at December 31, 1996. Most real estate held for investment is located in Canada.

U.S. properties have a carrying value of $109 million.

Properties acquired by foreclosure and held for sale totalled $18 million (1996 - $100 million) before specific provisions for credit losses. In 1997, foreclosed properties with a carrying value of $54 million were transferred to real estate held for investment. These properties provide a cash yield on carrying value of 8.5 per cent, and the transfer to investment real estate reflects the Company's view that these properties will continue to improve in value.

A significant recovery is now being experienced in real estate values. The excess of the carrying value over the fair value of the Company's real estate portfolio was reduced by $41 million in 1997. The Company intends to maximize value from the portfolio while continuing to reduce its exposure to real estate as a percentage of total assets.

Adequate provisions exist for future credit losses.

At December 31, 1997, provisions for future credit losses totalled $36 million, compared with $45 million at the end of 1996. Credit losses charged to the provision during 1997 totalled $13 million, compared with $40 million charged in 1996. An expense of $4 million was charged to income in 1997 to provide for future credit losses. Provisions are expected to be adequate to cover credit losses in the next five years.

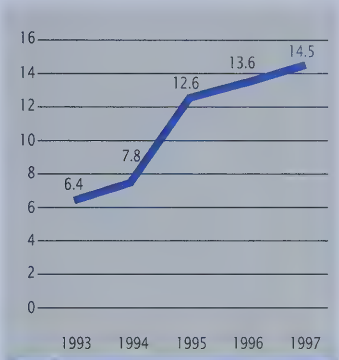
Liquid assets total $2.6 billion.

The Company matches maturities of assets and liabilities and a substantial portion of the bond portfolio is invested in readily marketable government bonds. The Company's cash position and high-quality bonds, together with other assets that can be liquidated within 45 business days, resulted in total liquid assets of $2.6 billion at December 31, 1997.

Certain policy liabilities of the Company have cash surrender values. Many policies provide for significant penalties on surrender which are a deterrent to surrender. The Company's current level of liquidity is strong given the profile of its liabilities and the probability of surrender.

The ratio of capital resources to liabilities was strengthened.

At December 31, 1997, Crown Life's capital resources totalled $728 million, compared with $685 million at the end of 1996. Capital resources included shareholders' equity of $505 million, participating policyholders' equity of $28 million, convertible subordinated debentures of $126 million, and deferred net gains realized on disposal of share and real estate investments of $69 million. These capital resources represented 14.5 per cent of liabilities, compared with 13.6 per cent at December 31, 1996. On a Canadian regulatory capital basis, the Company's ratio of capital available to capital required improved to 188 per cent in 1997 from 170 per cent in 1996. The increase is due to a higher level of retained earnings and to improvements in asset quality.



Capital resources as a percentage of liabilities

percentage

Preferred shareholders' dividends of $9 million in each of 1997 and 1996 were paid on the Company's Class I Cumulative Preferred Shares. Any decision to pay dividends on the Common Shares in the future and the amount of such dividends will be based on the Company's income, regulatory capital requirements and other factors deemed relevant by the Board of Directors.

The foreign currency translation adjustment for shareholders and participating policyholders was $70 million at December 31, 1997, an increase of $13 million from the previous year. This increase resulted from the weakening of the Canadian dollar to Can$1.43 per U.S. dollar at December 31, 1997 from Can$1.37 at December 31, 1996.

Competition and risk management

Profitability of life insurance companies is determined by the design, pricing and management of products. Products must be accepted by the marketplace, have manageable risks, and have adequate allowances for benefits, expenses and profits.

The life insurance market will continue to undergo significant change.

The environment for Canadian life insurers is in a period of change. Competition in the industry in both Canada and the United States has intensified due to the availability of substitute product offerings from other financial institutions. In the pension market in particular, the lower interest rate environment of the 1990s has caused consumers to seek alternate investment products to enhance returns. This intensified competition is resulting in consolidation within the industry and an increased focus by insurers on expense reduction. Continuing the pace of growth of recent years will be a challenge in this environment.

Crown Life has positioned itself to take advantage of these changing markets.

Crown Life's strategy is to target markets for life and health insurance and pension products for individuals and groups, as well as reinsurance services. The focus is on North American markets, especially Western Canada.

In the individual insurance business, Crown Life is targeting the market served by professional, independent, entrepreneurial agents. In this market, dependable advice and excellent service are priorities. The Company has a reputation as an organization that is capable of embracing the changes necessary to be competitive in the changing individual insurance market in Canada. During 1997, the Company converted six of its Canadian agency offices to independent owner-managed businesses. In 1997, independent offices contributed significantly to achieving a 15 per cent increase in Canadian life and health insurance sales over 1996.

In the United States individual life insurance market, the industry continues to take steps to reduce expenses and improve efficiency. Crown Life's emphasis is on the middle-income market. In 1997, the Company continued to appoint new distributors who operate in this market. Nevertheless, it will take some time to achieve significant levels of sales in the Company's U.S. operations. In the interim, a priority is the retention of existing business through quality customer service.

In the group life and health business in Canada, Crown Life is focusing on employers with small and medium-sized work forces. The Company's share of the small-case market segment has been increasing for the past several years, but growth slowed in 1997 due to intense price competition. The Company will continue to seek to add larger contracts in order to achieve greater economies of scale.

In pension operations, customers are seeking solid investment performance and the opportunity to diversify their retirement savings. Segregated funds managed by Crown Life Investment Management Inc. (CLIMCO), the Company's wholly-owned funds management subsidiary, have consistently performed better than benchmarks in the fund management business over the past several years. In addition, the Company offers its customers a choice of funds managed by eight other fund managers. In 1997, the Company focused its efforts on the Canadian pension market and has discontinued sales in the U.S.

The Company's reinsurance operations provide regular life reinsurance and coverages for special risks, such as excess medical coverage and catastrophe coverage. The principal market is small-to medium-sized life insurers and special risk pools in the United States. Sales growth achieved in 1997 in regular life reinsurance reflects Crown Life's excellent reputation in this market.

The changing insurance markets are also resulting in higher consumer expectations for service and product innovation. Provision of financial services is heavily dependent on information technology. The life insurance industry is generally constrained by systems that were developed using technology of the 1970s and 1980s. Crown Life began a major program of systems renewal in 1995. The objectives of this program are to ensure the readiness of all of the Company's systems for the year 2000, improve customer service,

reduce costs, and allow more rapid and responsive product development. The total cost of this program of systems renewal to the end of 1997 has been $43 million, which was charged to net income. Expenses to renew systems are expected to be a further $16 million in 1998, with a significantly lower level of expenses expected in 1999.

Key systems in pension administration, life and disability claims adjudication and investment administration have already been made year-2000 compliant. Projects which are scheduled to be completed in 1998 include the conversion to a new administration and claims system in the group life and health insurance area, the replacement of corporate financial systems, the renovation of corporate actuarial systems, and the completion of modifications to individual insurance administration systems.

Crown Life uses a disciplined approach to manage the risks inherent in its business.

Crown Life's continued financial strength and profitability depend on effective management of the risks inherent in all aspects of the Company's business. These risks are primarily product design, pricing and underwriting; investment credit risk; and asset-liability matching. Corporate policies provide guidelines for the senior officers responsible for monitoring and managing these risk exposures. Regular staff training ensures that employees are aware of the latest knowledge and management practices with respect to the insurance business.

Product design and pricing and underwriting review are the responsibility of each business unit. Premium rates for group and individual life, health and pension products are based on the Company's view of the most probable future outlook for mortality, morbidity and lapse rate experience, interest rates, expense rates and competitive rate structures. Premiums are calculated to achieve a return on shareholders' and participating policyholders' equity which meets operating objectives and reflects risk and profitability. Underwriting review ensures that acceptable risks are assumed for any new application and that the product pricing reflects the underlying risk.

The pricing of most group coverages, individual non-participating insurance with adjustable premiums and all participating insurance is subject to periodic review, which may result in adjustments to either premium rates or participating policyholders' dividends. Review and approval is required from the corporate actuarial department for all significant new products or modifications to existing products.

Investment credit risk is managed through documented investment policies which adhere to the prudent person standard. This standard requires that investments satisfy the return objectives and risk tolerance of the Company, proper due diligence is conducted, and invested assets are appropriately diversified. Senior officers are involved on a weekly basis in establishing investment strategy and approving investment transactions.

Asset-liability management ensures that the Company's invested assets are appropriately matched to the duration of liabilities. The objectives are to minimize the risk to the Company of changes in market interest rates and to meet current and future liquidity needs. In addition, the Company's policy is to match liabilities with assets denominated in the same currency to limit exposure to foreign currency fluctuations. Senior investment and actuarial officers periodically review the matching of assets and liabilities and ensure that any necessary adjustments to invested assets are made.

Regular reviews of each business unit's operating results are conducted with the business unit management team by senior management. This enables timely monitoring of results and implementation of corrective action to address any deviation from Company objectives.

Crown Life's long-term business objective is to achieve sustainable, profitable growth.

At Crown Life, our mission is to help our customers build better futures through sound financial products, expert advice and outstanding service. The priorities of the Company are growth in its core markets and continuous improvement in the quality of service provided to policyholders.

Management's responsibility for financial reporting

The consolidated financial statements are the responsibility of management and are prepared in accordance with accounting principles generally accepted in Canada including the accounting requirements of the Superintendent of Financial Institutions Canada. In the opinion of management, the consolidated financial statements fairly reflect the financial position, results of operations and changes in financial position of the Company within reasonable limits of materiality. All financial information in this annual report is consistent with that shown in the consolidated financial statements.

Management maintains accounting systems and internal controls to provide reasonable assurance that financial records are complete and accurate, financial statements are reliable, and assets are safeguarded against loss. The adequacy of internal control systems is monitored on an ongoing basis by an internal audit department which coordinates its activities with those of the external auditors.

The Appointed Actuary is appointed by the Board of Directors. His responsibility is to carry out the valuation of the policy liabilities included in the consolidated financial statements and to report on the appropriateness of the policy liabilities at the balance sheet date to meet all policyholder obligations of the Company. The Appointed Actuary makes use of the external auditors' work in the valuation. The Appointed Actuary's Report outlines the scope of the valuation and his opinion.

KPMG have been appointed external auditors. Their responsibility is to conduct an independent and objective audit and to report on the fairness of presentation of the Company's financial position and results of operations as shown in the annual consolidated financial statements. The external auditors make use of the work of the Appointed Actuary with respect to policy liabilities. The Auditors' Report outlines the scope of their examination and their opinion.

Brian Johnson

Brian A. Johnson
President and Chief Executive Officer

Alan Rowe

Alan M. Rowe
Senior Vice-President and
Chief Financial Officer

Regina, Canada
February 13, 1998

Auditors' report

To the Policyholders and Shareholders of Crown Life Insurance Company:

We have audited the consolidated balance sheets of Crown Life Insurance Company as at December 31, 1997 and 1996 and the consolidated statements of operations, changes in financial position, and changes in net assets of segregated funds for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 1997 and 1996 and the results of its operations and the changes in its financial position for the years then ended in accordance with generally accepted accounting principles including the accounting requirements of the Superintendent of Financial Institutions Canada.

KPMG

Chartered Accountants

Regina, Canada
February 13, 1998

Appointed actuary's report

To the Policyholders and Shareholders of Crown Life Insurance Company:

I have valued the consolidated policy liabilities in Crown Life Insurance Company's consolidated balance sheets as at December 31, 1997 and 1996 and their change in its consolidated statements of operations for the years then ended in accordance with accepted actuarial practice, including selection of appropriate assumptions and methods.

In my opinion, the amount of policy liabilities makes appropriate provision for all policyholder obligations and the consolidated financial statements present fairly the results of the valuation.

B J Manistre

B. J. Manistre
Fellow, Canadian Institute of Actuaries

Regina, Canada
February 13, 1998

Consolidated statement of operations

(Thousands of dollars)

Years ended December 31	**1997**	1996
Revenue		
Premiums	**845,177**	842,495
Investment income (note 4d)	**436,890**	457,278
Other	**17,085**	15,753
	1,299,152	1,315,526
Expenses		
Policy benefits	**939,895**	957,483
Commissions and other selling expenses	**111,491**	112,071
Operating expenses	**124,605**	124,825
Taxes (note 8)	**24,007**	22,314
	1,199,998	1,216,693
Income before policyholders' dividends	**99,154**	98,833
Participating policyholders' dividends (note 7h)	**53,764**	50,901
Net income	**45,390**	47,932
Net income is attributable to:		
Preferred shareholders	**9,131**	9,135
Common shareholders	**27,691**	30,296
Total shareholders	**36,822**	39,431
Participating policyholders	**8,568**	8,501
	45,390	47,932
Earnings per common share (in dollars, note 7g)	**8.01**	8.77

On behalf of the board

Paul J. Hill
Chairman

Brian A. Johnson
President and Chief Executive Officer

Consolidated balance sheet

(Thousands of dollars)

December 31	**1997**	1996
Invested assets (note 4)		
Bonds	**2,781,598**	2,483,243
Mortgage loans	**1,753,437**	1,875,938
Real estate	**457,685**	502,403
Shares	**109,664**	85,568
Loans to policyholders	**456,838**	438,601
Cash and short-term investments	**63,812**	73,172
Accrued investment income	**78,321**	74,906
Other	**13,847**	28,076
	5,715,202	5,561,907
Other assets		
Premiums receivable	**38,916**	38,274
Amounts receivable under financial reinsurance agreements	**10,000**	133,425
Other	**78,268**	66,710
	127,184	238,409
	5,842,386	5,800,316
Liabilities		
Policy liabilities (note 5)	**4,710,819**	4,825,473
Short-term debt	**67,858**	—
Amounts payable under financial reinsurance agreements	**41,873**	72,283
Accrued expenses and other liabilities	**205,956**	151,523
	5,026,506	5,049,279
Deferred net gains realized on disposal of invested assets (note 4b)	**156,896**	141,787
Convertible subordinated debentures (note 6)	**126,474**	126,000
Equity (note 7)		
Participating policyholders'	**27,845**	17,404
Shareholders'	**504,665**	465,846
	532,510	483,250
	5,842,386	5,800,316

Contingent liabilities (note 11)

Consolidated statement of changes in financial position

(Thousands of dollars)

Years ended December 31	1997	1996
Cash provided by (used in) operating activities		
Net income	**45,390**	47,932
Decrease in policy liabilities	**(234,314)**	(397,592)
Sales and maturities of invested assets, net of purchases	**(27,541)**	394,403
Net change in other assets and liabilities	**148,360**	(8,902)
	(68,105)	35,841
Cash provided by (used in) financing activities		
Common shares issued	**18**	98
Preferred shareholders' dividends	**(9,131)**	(9,135)
Preferred shares purchased for cancellation	—	(429)
	(9,113)	(9,466)
Increase (decrease) in cash position	**(77,218)**	26,375
Cash position, beginning of year	**73,172**	46,797
Cash position, end of year	**(4,046)**	73,172
Cash position is represented by		
Cash and short-term investments	**63,812**	73,172
Short-term debt	**(67,858)**	—
	(4,046)	73,172

Consolidated statement of changes in net assets of segregated funds

(Thousands of dollars)

Years ended December 31	1997	1996
Net assets, beginning of year	**800,003**	663,630
Increase during the year		
Amounts received from unitholders	**168,504**	106,074
Investment income	**31,882**	32,359
Net gain realized on sale of investments	**18,200**	16,537
Net unrealized increase in market value of investments	**55,424**	49,988
Year-end currency revaluation	—	6,021
Acquisition of group pension business (note 3)	—	120,195
	274,010	331,174
Decrease during the year		
Amounts withdrawn by unitholders	**258,314**	187,851
Management fees and other operating costs	**10,050**	6,950
Year-end currency revaluation	**700**	—
	269,064	194,801
Net assets, end of year	**804,949**	800,003
Net assets of segregated funds consist of:		
Shares	**512,288**	424,400
Bonds	**213,750**	280,006
Mortgage loans	**45,738**	33,182
Real estate	**545**	810
Cash and short-term investments	**28,955**	55,280
Accrued investment income	**5,775**	9,145
Securities pending settlement	**(2,102)**	(2,820)
	804,949	800,003

(Tabular amounts in thousands of dollars)
December 31, 1997 and 1996

1 Basis of presentation

Crown Life Insurance Company develops, markets and administers life, health and pension products for individual and group customers, and provides reinsurance services to other insurance companies. The Company's principal markets are in North America. The Company operates under the Insurance Companies Act which provides for the corporate governance of life insurance companies.

These consolidated financial statements have been prepared in accordance with generally accepted accounting principles including the accounting requirements of the Superintendent of Financial Institutions Canada. All of the Company's assets are held directly. The Company's only operating subsidiary, Crown Life Investment Management Inc., has a nominal book value. The significant accounting policies used in the preparation of these consolidated financial statements are summarized below and in the notes which follow.

Revenues and expenses of the Company's foreign operations are translated at average rates of exchange in effect during the year. Assets and liabilities are translated at the exchange rates in effect at the balance sheet date. The net amount arising on the adjustment of asset and liability balances to reflect current rates of exchange is included in participating policyholders' and shareholders' equity.

Certain contracts allow policyholders to invest in segregated funds managed on a fee basis by the Company for the benefit of the policyholders. Substantially all risks and rewards of ownership accrue to the policyholders. Segregated funds business is maintained separately, and is shown in the consolidated statement of changes in net assets of segregated funds. Segregated funds are carried at year-end market values.

Certain 1996 amounts have been reclassified to conform with the financial statement presentation adopted in 1997.

2 Change in accounting presentation

The Company has adopted, effective January 1, 1997 and applied on a retroactive basis, new standards issued by the Canadian Institute of Chartered Accountants with respect to accounting for financial instruments. Included in these standards is a requirement to classify financial instruments into liability and equity components in accordance with the substance of the contractual arrangements at the time of issue.

The $150.0 million of convertible subordinated debentures issued by the Company in 1995 are convertible securities which provide a right to the holder to convert their debentures into Common Shares. As a result, the total issue amount of the debentures has been allocated between a liability component and an equity component. The value assigned to the liability component as at January 1, 1996 was $126.0 million and the value assigned to the conversion privilege, the equity component, was $24.0 million. The difference between the value assigned to the liability component and the face amount of the debentures is being amortized on a straight line basis over the remaining term to maturity of the debentures.

3 Acquisition of group pension business

On June 1, 1996, the Company acquired the Canadian group pension business of another Canadian life insurance company. The business acquired included assets under administration in both general and segregated funds of $295.6 million. Goodwill in the amount of $8.8 million is included in other assets and is being amortized on a straight line basis over 10 years. Goodwill was calculated as the difference between the net present value of the general account liabilities assumed of $184.2 million and the assets acquired of $175.4 million.

4 Invested assets

a Investments are accounted for on the following basis:

(i) Bonds

Bonds are carried at cost adjusted for amortized premiums or discounts and are net of specific provisions for credit losses. Net gains and losses realized on sales of bonds are deferred and amortized over the period to maturity of the assets sold. A decline in fair value of any bond that is considered to be other than temporary is recognized immediately.

(ii) Mortgage loans

Mortgage loans are carried at outstanding principal balances adjusted for unamortized premiums or discounts and are net of specific provisions for credit losses. Restructured mortgage loans are adjusted for unamortized discounts representing interest concessions which are taken into account in determining the provision for credit losses. Net gains and losses realized on the sale of mortgage loans are deferred and amortized over the term to maturity of the assets sold. A decline in fair value of any mortgage loan that is considered to be other than temporary is recognized immediately.

(iii) Real estate

Real estate held for investment, which includes own-use property, is carried at moving average fair value whereby the carrying value is adjusted towards fair value at 10 per cent each year. Net gains and losses realized on disposal are deferred and amortized to income at 10 per cent each year on a declining balance basis. Real estate acquired by foreclosure is carried at the lower of cost and fair value. A decline in fair value of the portfolio that is considered to be other than temporary is recognized immediately.

(iv) Shares

Shares are carried at moving average fair value whereby the carrying value is adjusted towards fair value at 15 per cent of the unrecorded gain or loss each year. Net gains and losses realized on the disposal of shares are deferred and amortized to income at 15 per cent each year on a declining balance basis. A decline in fair value of the portfolio that is considered to be other than temporary is recognized immediately.

(v) Derivative financial instruments

The Company uses derivative financial instruments where appropriate in the administration of its asset-liability management and to assist in the management of financial risks, including interest rate and foreign exchange risks. Derivative financial instruments are used primarily for hedging purposes and are accounted for on the same basis as the hedged item.

(vi) Credit losses

The Company maintains provisions for credit losses, including losses of principal and interest on bonds, mortgage loans and real estate acquired by foreclosure. Provisions for credit losses consist of specific provisions for loans considered to be impaired and a general provision for other future potential credit losses.

The carrying value of loans considered by the Company to be impaired is reduced by specific provisions to the value estimated to be realizable in the normal course of operations. A loan is considered by the Company

(Tabular amounts in thousands of dollars)
December 31, 1997 and 1996

to be impaired if, as a result of a deterioration in credit quality, there is no longer reasonable assurance of timely collection of the full amount of principal and interest. Any loan on which contractual payments are in arrears for 90 days or more is assumed to be impaired. In addition, the Company considers other factors in determining if a loan is impaired including the overall credit quality of the borrower and the fair value of the property.

A general provision is estimated for other potential future credit losses and is included as a component of policy liabilities.

A charge is included in income in the year in which expected credit losses are identified. Any change in the estimated realizable value subsequent to the initial recognition of credit losses is included in income in the period in which the change occurs.

b The carrying values, net of specific provisions for credit losses, and estimated fair values of invested assets, unrealized gains (losses) and deferred net gains (losses) realized on disposal of invested assets are as follows:

1997

	Carrying value	Fair value	Unrealized gains (losses)	Deferred net realized gains (losses)	Total unrealized and deferred realized net gains (losses)
Bonds	**2,781,598**	**2,932,000**	**150,402**	**85,090**	**235,492**
Mortgage loans	**1,753,437**	**1,812,000**	**58,563**	**2,440**	**61,003**
Real estate	**457,685**	**409,000**	**(48,685)**	**(827)**	**(49,512)**
Shares	**109,664**	**127,000**	**17,336**	**70,193**	**87,529**
Loans to policyholders	**456,838**	**456,838**	—	—	—
Cash and short-term investments	**63,812**	**63,812**	—	—	—
Accrued investment income	**78,321**	**78,321**	—	—	—
Other	**13,847**	**13,847**	—	—	—
	5,715,202	**5,892,818**	**177,616**	**156,896**	**334,512**

1996

	Carrying value	Fair value	Unrealized gains (losses)	Deferred net realized gains (losses)	Total unrealized and deferred realized net gains (losses)
Bonds	2,483,243	2,594,000	110,757	63,758	174,515
Mortgage loans	1,875,938	1,964,000	88,062	2,253	90,315
Real estate	502,403	413,000	(89,403)	8,653	(80,750)
Shares	85,568	101,000	15,432	67,123	82,555
Loans to policyholders	438,601	438,601	—	—	—
Cash and short-term investments	73,172	73,172	—	—	—
Accrued investment income	74,906	74,906	—	—	—
Other	28,076	28,076	—	—	—
	5,561,907	5,686,755	124,848	141,787	266,635

Fair values for publicly traded securities are determined with reference to quoted market prices.

For bonds and mortgage loans which are not publicly traded, fair values are calculated using expected cash flows discounted at current market interest rates for similar investments.

The fair value of each real estate property held for investment is determined annually, primarily based on the net present value of estimated future cash flows, and an independent appraisal is obtained every three years. Fair value for real estate acquired by foreclosure and held for resale is estimated as the expected selling price less costs of disposal of each property.

Fair values for loans to policyholders, cash and short-term investments, accrued investment income, and other invested assets are stated at carrying values.

The Company's net cash position and government bonds, together with other assets that can be liquidated within 45 business days, resulted in total liquid assets of $2.6 billion at December 31, 1997 (1996 - $2.3 billion).

At December 31, 1997 deferred net gains realized on disposal of invested assets which supported policy liabilities were $109.2 million (1996 - $94.3 million).

c The significant terms and conditions of each class of financial assets are as follows:

(i) Bonds

The Company has established investment authorities which restrict investment concentration by industry sector, issuer and credit quality. Holdings of corporate bonds in any industry sector are limited to 20 per cent of the portfolio. Investment limits which vary by bond rating have been established to restrict investment in any one issuer for bonds other than those issued or guaranteed by the federal governments of Canada or the United States or the Government of the United Kingdom. The Company's investment authorities set a minimum weighted average credit quality of the overall portfolio of A. At December 31, 1997, the bond portfolio had an average rating of AA and only one per cent of the bond portfolio was rated below investment grade.

At December 31, 1997, bonds with carrying values of $19.9 million have been pledged as security for letters of credit or derivative contracts.

(ii) Mortgage loans

Mortgage loans are generally secured by first recourse to the underlying property.

The Company has established investment authorities which limit the concentration of investments in mortgage loans by territory, property type and credit quality.

(Tabular amounts in thousands of dollars)
December 31, 1997 and 1996

Bonds and mortgage loans by type and term to maturity are as follows:

	Up to 5 years	Over 5 to 10 years	Over 10 years	1997 Carrying value	1996 Carrying value
Bonds					
Government	**667,640**	**556,935**	**582,494**	**1,807,069**	1,566,027
Corporate	**349,425**	**304,349**	**320,755**	**974,529**	917,216
	1,017,065	**861,284**	**903,249**	**2,781,598**	2,483,243
Mortgage loans					
Retail	**542,143**	**240,444**	**91,109**	**873,696**	892,291
Office	**373,940**	**128,771**	**55,259**	**557,970**	640,525
Apartments	**103,762**	**43,279**	**20,946**	**167,987**	176,122
Industrial	**108,351**	**39,011**	**6,422**	**153,784**	167,000
	1,128,196	**451,505**	**173,736**	**1,753,437**	1,875,938

As at December 31, 1997, the weighted average effective annual investment yields for the portfolios of bonds and mortgage loans are 7.1 per cent and 9.4 per cent, respectively.

(iii) Shares

The Company's share portfolio consists of both common and preferred shares which have no fixed maturity date. Common shares, which represent 90 per cent of the share portfolio, generally have no direct exposure to interest rate risk.

The investment authorities of the Company provide concentration limits on common and preferred share holdings by industry sector, issuer, and in the case of preferred shares, credit quality. In addition, the authorities provide a limit on holdings of shares not listed on major stock exchanges in Canada or the United States.

(iv) Loans to policyholders

Policy loans are fully secured by the cash surrender value of the policies on which the loans are made.

d Investment income was derived from the following sources:

	1997	1996
Bonds	**191,137**	195,020
Mortgage loans	**172,698**	194,460
Real estate	**29,367**	27,679
Shares	**3,137**	2,446
Loans to policyholders	**31,020**	31,818
Cash and short-term investments and other	**5,823**	9,244
Amortization of deferred net gains realized and unrealized	**22,918**	17,303
	456,100	477,970
Interest expense on short-term debt	**804**	823
Interest expense on convertible subordinated debentures	**8,156**	8,822
Investment expenses	**10,250**	11,047
	436,890	457,278

e Investment income includes the amortization of deferred net gains realized on disposal of invested assets and the amortization of net unrealized gains (losses) on real estate and shares as follows:

	1997	1996
Bonds	**10,088**	9,550
Mortgage loans	**773**	331
Real estate	**(3,206)**	(7,189)
Shares	**15,263**	14,611
	22,918	17,303

f The notional amount and current credit risk of derivative financial instruments are as follows:

	1997		1996	
	Notional amount	Current credit risk	Notional amount	Current credit risk
Foreign currency contracts	**179,681**	—	136,792	6,913
Interest rate contracts	**105,765**	**650**	96,580	402
Equity swap contracts	**43,879**	**571**	33,904	—
	329,325	**1,221**	267,276	7,315

The notional amount represents the amount to which a rate or price is applied to determine the cash flows to be exchanged and does not represent direct credit exposure. Current credit risk is the estimated cost of replacing all derivative contracts which have a positive value. The Company's exposure is limited to the risk that a counterparty does not honour the terms of a derivative contract, and the Company applies the same criteria in selecting counterparties as it does for investing in bonds. At December 31, 1997, all counterparties had a credit rating of A or higher.

(Tabular amounts in thousands of dollars)
December 31, 1997 and 1996

g Loans considered to be impaired (before specific provisions), specific provisions for credit losses, and general provisions for credit losses included in policy liabilities are as follows:

	1997		1996	
	Impaired loans	Credit loss provisions	Impaired loans	Credit loss provisions
Bonds	—	—	1,300	1,300
Mortgage loans	**67,877**	**16,800**	118,662	24,200
Real estate acquired by foreclosure		**3,200**		11,900
General provisions included in policy liabilities		**15,700**		7,500
		35,700		44,900

At December 31, 1997, impaired loans included mortgage loans on which principal and interest payments were in arrears 90 days or more of $17.1 million (1996 - $22.9 million). Real estate acquired by foreclosure and held for sale was $18.0 million (1996 - $100.4 million) before specific provisions.

Credit losses charged to income in 1997 were $4.0 million (1996 - nil). Net foregone interest and principal losses charged to provisions for credit losses in 1997 were $13.2 million (1996 - $39.8 million).

5 Policy liabilities

a Policy liabilities are accounted for on the following basis:

Policy liabilities represent the amounts which, together with estimated future premiums and investment income, will be sufficient to pay estimated future benefits, dividends and expenses on policies in force. Policy liabilities are determined using accepted actuarial practice under the policy premium method.

The process of determining policy liabilities necessarily involves estimations of future experience. The risk of deviation from best estimates varies in proportion to the length of the estimation period and the potential volatility of each component. Best estimate assumptions are therefore adjusted by margins for adverse deviation. At inception of a policy, these margins result in an increase in policy liabilities and a reduction in the amount of income that otherwise would be recognized. On participating policies, margins for adverse deviation are reduced to the extent that adverse experience would result in a reduction in the amount of dividends paid. With the passage of time, and resulting reduction in estimation risk, these margins are released into income. If estimates of future conditions change throughout the life of a policy, the present value of those changes is recognized in income immediately. Policy liabilities include liabilities assumed under reinsurance contracts and are reduced by liabilities ceded to reinsurers.

The nature and method of determining the more significant assumptions made by the Company in the computation of policy liabilities are described below:

(i) Policy claims and benefits

The Company bases estimates of the amount and timing of future claims and benefit payments on its experience and that of the industry over extended periods. Some deviation from the pattern of claims and benefit payments indicated by past experience is probable.

(ii) Policy terminations

Although insurance policies generally require payment of periodic premiums over their full term, many policyholders will allow their policies to terminate by choosing not to continue to pay premiums. The Company bases its estimate of future policy termination rates on previous experience for each product. On certain products, higher termination rates than expected could result in an increase in the cost per policy of maintaining policies above levels assumed in the determination of policy liabilities. On other products, including certain term life insurance products, lower termination rates than expected could result in higher claims than expected.

(iii) Investment income

The Company manages assets and liabilities by business segment using investment objectives which are appropriate for each line of business, and matches policy liabilities with assets of similar duration. The computation of policy liabilities takes into account expected net investment income on assets supporting policy liabilities, projections of interest rates at which future cash flows can be invested, and anticipated credit losses from asset defaults.

(iv) Operating expenses

Policy liabilities include amounts to provide for the costs of administering policies in force, such as premium collection, adjudication and processing of claims, periodic actuarial valuations, preparing and mailing of policy statements, related indirect expenses and overhead. The process of forecasting expenses requires estimates to be made of such factors as inflation, productivity changes, new business volumes and tax rates.

(v) Policyholder dividends

Policy liabilities include the present value of estimated amounts of future policyholder dividends.

(vi) Foreign currency

The Company matches policy liabilities with assets denominated in the same currency to limit exposure to foreign currency fluctuations.

b Policy liabilities consist of:

	1997	1996
Provision for future policy benefits	**4,344,525**	4,417,648
Policyholders' funds on deposit	**183,067**	181,451
Benefits payable and provision for unreported claims	**183,227**	226,374
	4,710,819	4,825,473

(Tabular amounts in thousands of dollars)
December 31, 1997 and 1996

c The change in the provision for future policy benefits is as follows:

	1997	1996
Balance, beginning of year	**4,417,648**	4,591,881
Normal changes	**(106,538)**	(388,147)
Reinsurance treaty (note 11)	**(90,000)**	—
Acquisition of group pension business (note 3)	—	184,192
Foreign currency translation rate changes	**108,815**	17,222
Assumption changes	**14,600**	12,500
Balance, end of year	**4,344,525**	4,417,648

Normal changes in the provision for future policy benefits include the effect of new business, claims, surrenders and changes in the provisions in the ordinary course of business.

In 1997, the most significant assumption changes were an increase of $30.0 million in the provision for future policy benefits to reflect the effect of a lower interest rate environment, and a decrease of $15.3 million in the provision for future policy benefits on participating life insurance policies due to the implementation of new generally accepted actuarial practices.

Assumption changes in 1996 included an increase of $11.8 million in the provision for future policy benefits to reflect the effect of a lower interest rate environment.

d Policy liabilities by major line of business and geographic region at December 31, 1997 consist of:

1997	Canada	United States	Other	Total
Individual participating life insurance	**549,843**	**846,484**	**492,244**	**1,888,571**
Individual non-participating life and health insurance	**250,066**	**665,638**	**69,360**	**985,064**
Individual pensions	**277,719**	**74,683**	**2,202**	**354,604**
Group life and health insurance	**260,943**	**44,017**	**7,511**	**312,471**
Group pensions	**380,286**	**514,535**	**25,188**	**920,009**
Reinsurance	**17,294**	**224,278**	**8,528**	**250,100**
	1,736,151	**2,369,635**	**605,033**	**4,710,819**

Amounts above are after deducting liabilities ceded to reinsurers of $438.5 million.

Policy liabilities by major line of business and geographic region at December 31, 1996 consist of:

1996	Canada	United States	Other	Total
Individual participating life insurance	536,190	812,268	469,968	1,818,426
Individual non-participating life and health insurance	225,175	693,176	67,065	985,416
Individual pensions	298,388	73,588	2,407	374,383
Group life and health insurance	249,832	56,460	6,790	313,082
Group pensions	464,054	535,460	27,985	1,027,499
Reinsurance	17,023	288,764	880	306,667
	1,790,662	2,459,716	575,095	4,825,473

Amounts above are after deducting liabilities ceded to reinsurers of $332.7 million.

e Assets supporting (i) policy liabilities, amounts payable under financial reinsurance agreements and deferred net gains realized on disposal of invested assets which supported policy liabilities (note 4b), by major line of business and (ii) other liabilities and equity, together with assets by geographic region, at December 31, 1997 consist of:

1997	Bonds	Mortgage loans	Real estate	Shares	Loans to policyholders	Other	Total
Individual participating life insurance	**938,031**	**551,856**	**50,292**	**15,328**	**364,928**	**38,380**	**1,958,815**
Individual non-participating life and health insurance	**464,986**	**426,582**		**2,214**	**91,910**	**19,845**	**1,005,537**
Individual pensions	**227,102**	**105,404**		**12**		**36,035**	**368,553**
Group life and health insurance	**237,431**	**62,495**				**19,070**	**318,996**
Group pensions	**408,628**	**522,224**				**14,371**	**945,223**
Reinsurance	**133,480**	**63,146**				**68,144**	**264,770**
Other liabilities and equity	**371,940**	**21,730**	**407,393**	**92,110**		**87,319**	**980,492**
	2,781,598	**1,753,437**	**457,685**	**109,664**	**456,838**	**283,164**	**5,842,386**
Canada	**1,376,617**	**368,653**	**331,699**	**92,984**	**64,069**	**122,675**	**2,356,697**
United States	**1,148,896**	**1,209,204**	**122,268**	**16,680**	**289,692**	**44,133**	**2,830,873**
Other	**256,085**	**175,580**	**3,718**		**103,077**	**116,356**	**654,816**
	2,781,598	**1,753,437**	**457,685**	**109,664**	**456,838**	**283,164**	**5,842,386**
Fair value	**2,932,000**	**1,812,000**	**409,000**	**127,000**	**456,838**	**283,164**	**6,020,002**

Comparative information for 1996 is not readily available.

(Tabular amounts in thousands of dollars)
December 31, 1997 and 1996

The Company has determined that it is not practical to determine the fair value of policy liabilities. Any change in the fair value of assets supporting policy liabilities would have a limited impact on the Company's equity position because the change would be largely offset by a corresponding change in the fair value of policy liabilities. A change in the fair value of assets supporting other liabilities and equity would result in a corresponding change in net income and equity of the Company when recognized.

Assets supporting policy liabilities in territories other than Canada and the United States are primarily denominated in U.S. dollars or pounds sterling.

f The Company follows a policy of reinsuring coverage in excess of its retention limit at the time the risk is accepted. The maximum claim for which the Company is liable is $5.0 million on total claims arising from any one event and $1.5 million, in either Canadian or U.S. currency, of life insurance on any one life. The Company remains primarily liable to the beneficiaries for the full amount of coverage on the policies issued, and claims in excess of these limits are recoverable by the Company from the reinsurers.

6 Convertible subordinated debentures

Convertible subordinated debentures consist of $75.0 million of Series A Debentures and $75.0 million of Series B Debentures which mature on July 31, 2094 and July 31, 2030, respectively. The outstanding face amount has been allocated to liabilities in the amount of $126.0 million and to equity, representing the conversion privilege, in the amount of $24.0 million. The difference between the value assigned to the liability component and the face amount of the debentures is being amortized on a straight line basis over the remaining term to maturity of the debentures. The debentures bear interest at a rate (reset quarterly and paid semi-annually) equivalent to the yield on 90 day bankers' acceptances plus 105 basis points. The Company has entered into an interest rate swap contract to reduce the effect of fluctuations in short-term interest rates on the interest expense on the convertible subordinated debentures. The swap effectively fixes the interest rate on $50.0 million of these debentures at 6.25 per cent until October 29, 1999.

The debentures are convertible at the option of the holders into Common Shares at a price of $65.00 per share until July 31, 2005. The debentures may be redeemed by the Company at any time after July 31, 2000. In the event the Company redeems some or all of the debentures, the holders of the redeemed debentures will be provided with a warrant which will entitle the holder to subscribe at $65.00 per share for the same number of Common Shares as would have been received upon conversion of the redeemed debentures. Such warrants would be exercisable until July 31, 2005.

The debentures are subordinate to all policy liabilities and other indebtedness of the Company.

7 Participating policyholders' and shareholders' equity

a The authorized share capital of the Company at December 31, 1997 and 1996 consists of:

(i) an unlimited number of Class I Preferred Shares, issuable in series, provided that the aggregate consideration received by the Company for all Class I Preferred Shares issued and outstanding at any time shall not exceed $300.0 million,

(ii) an unlimited number of Second Preferred Shares, issuable in series, provided that the aggregate consideration received by the Company for all Second Preferred Shares issued and outstanding at any time shall not exceed $250.0 million,

(iii) one Fifth Preferred Share, and

(iv) an unlimited number of Common Shares, provided that the aggregate consideration received by the Company for all Common Shares issued and outstanding at any time shall not exceed $1.0 billion.

b Participating policyholders' and shareholders' equity consists of:

	1997	1996
Participating policyholders' equity		
Retained earnings	**18,729**	10,161
Foreign currency translation adjustment	**9,116**	7,243
Total participating policyholders' equity	**27,845**	17,404
Shareholders' equity		
Share capital		
3,652,599 Class I Cumulative Preferred Shares, Series A (1996 - 3,652,599)	**91,315**	91,315
1 Fifth Preferred Share	**—**	—
Value assigned to conversion privilege of convertible subordinated debentures (note 2)	**24,000**	24,000
3,456,898 Common Shares (1996 - 3,456,545)	**251,343**	251,325
	366,658	366,640
Retained earnings	**77,269**	49,578
Foreign currency translation adjustment	**60,738**	49,628
Total shareholders' equity	**504,665**	465,846
Total participating policyholders' and shareholders' equity	**532,510**	483,250

c The Class I Cumulative Preferred Shares, Series A, are entitled to receive fixed quarterly cumulative preferential cash dividends at a rate of $2.50 per year. The Class I Preferred Shares are redeemable at the option of the Company at $25.00 per share. During 1997, the Company did not purchase any Class I Preferred Shares for cancellation. In 1996, 17,300 Class I Preferred Shares were purchased for cancellation for average cash consideration of $24.80 per share.

d The holder of the Fifth Preferred Share has the right to vote separately as a class with respect to any proposal to change the location of the Company's head office operations to a place not in the Province of Saskatchewan. The Fifth Preferred Share is redeemable by the Company after December 31, 2031 at a price of $1.00.

(Tabular amounts in thousands of dollars)
December 31, 1997 and 1996

e A total of 200,000 Common Shares has been reserved under a stock option plan. Options on 126,500 (1996 - 131,000) Common Shares are outstanding and have exercise prices from $48.00 to $70.00 per share with expiry dates from June 2002 to May 2007.

f During 1997, 333 (1996 - 2,000) Common Shares were issued on the exercise of options for cash consideration of $18,000 (1996 - $98,000), and 20 (1996 - nil) Common Shares were issued on the conversion of convertible subordinated debentures with a par value of $1,300.

g Fully diluted earnings per share, which assume conversion of the convertible subordinated debentures and exercise of all options, have been calculated as $6.15 for the year ended December 31, 1997 (1996 - $6.72).

h The Company maintains policies with respect to the payment of dividends to participating policyholders and common shareholders.

Dividends on policies within a class of participating policies are calculated using a method which reflects the differences between actual experience with respect to investment income, mortality, expenses and policy termination, and the assumptions made as to that experience in the original calculation of the policy premium. Classes of policies are defined and redefined from time to time by reference to policy factors such as premium rates, or to experience factors, such as mortality, which may vary based on geographic location, risk selection procedures, or other factors. The methods used are intended to give consistent and equitable treatment to different classes and generations of policyholders.

The total amount of participating policyholders' dividends in a year also reflects the need to maintain a minimum level of surplus for contingencies and possible adverse future experience, as well as to finance future growth plans. The Insurance Companies Act permits the Company to transfer annually a portion of the distributed participating policyholders' income to shareholders' income.

Any decision to pay dividends on the Common Shares in the future will be based on the Company's income, growth plans, regulatory capital requirements and other factors deemed relevant by the Board of Directors.

i The Superintendent of Financial Institutions Canada prescribes guidelines for the maintenance of appropriate levels of regulatory capital to support the business activities of life insurers in Canada, based on the risk profile of each company's assets and liabilities. These guidelines are expressed as a ratio of capital available to capital required. As at December 31, 1997, the Company's capital available as defined by the guidelines, including primarily participating policyholders' and shareholders' equity and deferred net gains realized on the disposal of real estate and shares, represented 188 per cent (1996 - 170 per cent) of such requirements.

j Changes in retained earnings consist of:

	Participating policyholders'		Shareholders'	
	1997	1996	**1997**	1996
Balance, beginning of year	**10,161**	1,660	**49,578**	19,282
Net income	**8,568**	8,501	**36,822**	39,431
Preferred shareholders' dividends			**(9,131)**	(9,135)
Balance, end of year	**18,729**	10,161	**77,269**	49,578

8 Taxes

Tax expense of $24.0 million (1996 - $22.3 million) includes taxes on premiums, income and capital.

Income taxes are accounted for using the taxes payable method, whereby income taxes are provided on taxable income rather than on financial statement income. Income taxes, including Canadian investment income tax of $1.6 million (1996 - $1.9 million), were $4.3 million (1996 - $4.0 million). The Company has utilized deductions carried forward from prior years, where available, to eliminate income tax expense that would otherwise be incurred.

9 Retirement arrangements

The Company maintains several retirement arrangements, including defined benefit and defined contribution plans, for its employees. Pension costs related to current service are charged to income as services are rendered. Variations between plan experience and actuarial estimates as well as past service costs, if any, are amortized to income over the estimated average remaining service lives of the employee groups covered by the plans.

Pension expense for the year was $3.9 million (1996 - $4.5 million). The market value of assets in registered defined benefit plans was $99.5 million (1996 - $97.3 million). Based on the most recent actuarial valuation of the registered defined benefit plans, the aggregate present value of the accrued pension benefit was $92.3 million (1996 - $80.8 million).

10 Additional segmented information

Revenue and income before policyholders' dividends by geographic region are as follows:

	1997	1996
Revenue		
Canada	**497,173**	466,465
United States	**646,764**	707,156
Other	**155,215**	141,905
	1,299,152	1,315,526
Income before policyholders' dividends		
Canada	**16,190**	13,257
United States	**63,616**	76,021
Other	**19,348**	9,555
	99,154	98,833

(Tabular amounts in thousands of dollars)
December 31, 1997 and 1996

11 Unusual items and contingent liabilities

A number of unusual items were recorded in shareholders' income in 1997. The Company reinsured the mortality risk associated with certain U.S. insurance policies which resulted in a reduction of policy liabilities and an increase in income of $90.0 million. There were charges to income totalling $90.0 million for: (i) $30.0 million to increase policy liabilities to reflect the effect of a lower interest rate environment as referred to in note 5(c); (ii) $35.0 million to record a settlement agreement with counsel representing a class of U.S. universal life insurance policyholders who had alleged that cost of insurance charges were improperly increased on such policies in 1992; and, (iii) a provision for losses of $25.0 million relating to certain claims which appear unusual in the context of the risk presented for underwriting. The Company continues to investigate the validity of these contracts and the propriety of claims submitted. It is not possible to estimate the ultimate costs which may result from these contracts.

Participating policyholders' income in 1997 includes a charge of $33.2 million to reflect the cost of settling litigation involving the sale on a "vanishing premium" basis of participating whole life insurance policies. Income was increased by a reduction of $15.3 million in policy liabilities to reflect the implementation of new generally accepted actuarial practices referred to in note 5(c).

The Company is a defendant in a number of lawsuits in the United States and Canada involving the sale on a "vanishing premium" basis of participating whole life insurance policies. These lawsuits, most of which were commenced in prior years, relate primarily to the sales of insurance policies during the 1980s. Many life insurers are defendants in similar lawsuits brought by purchasers of such policies. Substantial progress was made in 1997 in resolving such litigation in the United States. Final approval was received from the U.S. Federal Court for a settlement between the Company and counsel representing a class of U.S. policyholders who purchased such policies from the Company. A number of other cases were also resolved in 1997.

As required by new Canadian accounting standards which came into effect for the year ended December 31, 1997, any costs of settlements or judgments arising after 1996 are reflected in net income of the year in which they are determined. In 1996, retained earnings as at January 1, 1995 was reduced by $45.0 million representing the cost of the U.S. class settlement and other settlements reached during 1996 together with the cost of administering the settlements. It is not possible to predict the ultimate outcome of the outstanding litigation, or to estimate additional costs which may result.

The Company believes it has acted responsibly and appropriately at all times with respect to sales practices and has agreed to settlements in order to avoid the cost, delays and uncertainty involved in protracted litigation. The Company will vigorously contest all lawsuits not resolved by class settlements.

Five-year financial summary

(Millions of dollars)

	1997	1996	1995	1994	1993
Operating results					
Revenue					
Premiums	**845**	842	811	885	923
Investment income	**437**	458	508	585	664
Other	**17**	16	11	17	19
	1,299	1,316	1,330	1,487	1,606
Policy benefits	**940**	957	981	1,091	1,278
Expenses	**260**	260	254	295	275
	99	99	95	101	53
Participating policyholders' dividends	**54**	51	48	56	56
Net income (loss)	**45**	48	47	45	(3)
Financial position					
Assets					
General funds	**5,842**	5,800	5,964	6,746	7,473
Segregated funds	**805**	800	664	752	1,944
	6,647	6,600	6,628	7,498	9,417
Equity					
Participating policyholders'	**28**	17	11	5	(10)
Shareholders'	**505**	466	431	385	349
	533	483	442	390	339
Per common share (in dollars)					
Earnings (loss)	**8.01**	8.77	8.51	7.82	(0.78)
Fully diluted earnings	**6.15**	6.72	7.75		
Book value	**119.57**	108.40	98.28	84.70	52.50
Fully diluted book value	**92.70**	86.01	79.93		

The Board of Directors and management of Crown Life have established appropriate governance practices to assure the effective and profitable development and operation of the Company's business and its long-term financial strength. As a financial institution incorporated in Canada, the Company adheres to specific governance practices prescribed by the federal Insurance Companies Act.

The Board approves the strategic plan and annual operating plans of the Company, selects and evaluates the Chief Executive Officer, nominates Directors, oversees the conduct of the organization, and reviews the financial performance and condition of the Company.

Annually, the Board receives a report from the Appointed Actuary which analyzes the financial condition of the Company. The analysis tests the capital adequacy of the Company under assumptions of adverse economic and business conditions.

The Company has developed documented authorities which assign accountability for principal functions, including delegation of authority limits by the Board to the President and Chief Executive Officer and to officers and staff within the Company.

Corporate governance is overseen by the Corporate Governance Committee of the Board of Directors which ensures that procedures have been established for the proper and effective governance by the Board of the business and affairs of the Company. The Committee is also responsible for nominating Directors. The Board has decided that effective governance is supported by a Board with a number of Directors that allows the involvement of individual Directors in discussion at Board meetings and effective decision making, and has set the number of Directors at 12. Eight Directors are elected by holders of Common Shares and four Directors are elected by participating policyholders. A majority of Board members are unrelated to the Company. Board members are introduced to the business of insurance through briefings and by assignment to committees so that all Directors have opportunities to contribute to Board and committee deliberations. The committees of the Board provide the essential framework for governance.

The Executive Committee meets on an ad-hoc basis and acts for the Board when it is not practical or possible for the full Board to meet.

The Operations and Systems Committee meets at least quarterly to review the Company's strategies, plans, and progress with respect to business growth and systems renewal.

The Audit Committee meets at least quarterly to review the financial statements and proposed disclosures of financial information before they are submitted to the Board or publicly released. It also monitors internal control procedures and reviews any transactions which could adversely affect the Company. The Committee consists entirely of unaffiliated Directors. In performing its duties, the Committee meets regularly with the Company's Chief Financial Officer, Chief Actuary, Chief Internal Auditor and external auditors.

The Investment Committee approves the Company's investment and lending policies, standards and procedures, including limits on concentrations applicable to individual borrowers, industries and geographic areas. The Committee also approves the delegation of authorities to investment officers. The Committee meets at least quarterly to review compliance with established policies. All investment transactions are reported to the Committee quarterly.

The Conduct Review Committee reviews management's procedures for the review of transactions with related parties and meets as required to review material transactions with related parties. The Committee also reviews and monitors procedures to deal with conflicts of interest and resolutions of customer complaints. The Committee consists entirely of unaffiliated Directors.

The Human Resources Committee approves the compensation policy of the Company, ensures that the relationship between senior management performance and compensation is appropriate, monitors succession planning for senior officers and reviews all executive appointments and reassignments. The Committee meets at least three times each year.

The Company has reviewed the guidelines set out in the December 1994 Report of the Toronto Stock Exchange Committee on Corporate Governance and has concluded that its corporate governance practices are in substantial compliance with the guidelines.

Board of directors

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Chairman
Regina, Saskatchewan
President
McCallum Hill Limited

Frederick B. Ladly [1,4,5,6,7]
Vice-Chairman
Township of Bathurst, Ontario
Deputy Chairman
Extendicare Inc.

Brian A. Johnson [1,4,5,6,7]
President and Chief Executive Officer
Regina, Saskatchewan

The Hon. Allan E. Blakeney [2,4,6]
P.C., O.C., Q.C.
Saskatoon, Saskatchewan
Retired

The Hon. James J. Blanchard [2,6]
Beverly Hills, Michigan
Partner
Verner, Liipfert, Bernhard, McPherson & Hand

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Saskatoon, Saskatchewan
Vice-President, Finance
Philom Bios Inc.

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Deputy Chairman
Extendicare Inc.

David J. Hennigar [2,6]
Bedford, Nova Scotia
Chairman
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Calgary, Alberta
President
Balmon Holdings Ltd.

D. Murray Wallace, F.C.A. [2,3,5,7]
London, Ontario
President
Avco Financial Services Canada Limited

Honorary Directors

M.A. Cooper
J.H. Devlin
R.C. Dowsett
J.J. Jodrey
J.S. Palmer, Q.C.

[1] Executive Committee
[2] Audit Committee
[3] Conduct Review Committee
[4] Corporate Governance Committee
[5] Human Resources Committee
[6] Investment Committee
[7] Operations and Systems Committee

Executive management

Brian A. Johnson
President and Chief Executive Officer

Gareth W. Evans
Senior Vice-President and Chief Actuary

John D. Harrison
Senior Vice-President
Individual Insurance Operations

William J.A. Heidt
Senior Vice-President
Employee Benefits and Reinsurance Operations

Alan M. Rowe
Senior Vice-President and Chief Financial Officer

Corporate operations

Sheila A. Culton
Corporate Secretary

L. Jill Hilsden
Vice-President and Controller

Nigel A.G. Howard
Vice-President
Corporate Development

Pamela J. MacIntyre
Vice-President, Human Resources

B. John Manistre
Vice-President and Appointed Actuary

Mark S. Ripplinger
Vice-President and Chief Information Officer

Robert Snihura
Vice-President and Chief Medical Director

Investment operations

Christopher J. Anderson
Vice-President, Equities and Bonds

Stephan R. von Buttlar
Vice-President
Mortgages and Real Estate

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Chairman

Christopher J. Anderson
President

Insurance operations

Group:

Daniel Martineau
Vice-President
Underwriting and Pricing

Chris A. Selness
Vice-President, Administration

Individual:

Charles K.B. Hamilton
Vice-President, Marketing
Canada Individual Insurance

Eugene S. Koster
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Barbara E. Laing
Vice-President
Individual Insurance Systems

Ronald K. MacTavish
Vice-President, Sales
Canada Individual Insurance

Reinsurance:

Rémi H. Houle
Vice-President, Reinsurance

as of March 2, 1998

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